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Forty-sixth session
Agenda item 54

ESTABLISHMENT OF A NUCLEAR-WEAPON-FREE ZONE
IN THE REGION OF THE MIDDLE EAST

Report of the Secretary-General

Addendum

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UNION OF SOVIET SOCIALIST REPUBLICS

[Original: Russian]

[19 August 1991]

1. The Soviet Union considers that the qualitative changes in world politics that characterize the transition from confrontation to broad cooperation open up good prospects for seeking new security formulas in various regions of the world, including the Middle East. Our conviction of this stems, in particular, from the talks and consultations recently held with the leaders of a number of countries in the region, in the course of which certain new points emerged in the positions of the sides which give grounds for hope of a more flexible approach to the search for ways of beginning the process of a peaceful settlement in the Middle East.
2. We also consider that a powerful impetus could be given to improving the climate in the region by the progressive normalization of the situation in the Persian Gulf. Drawing the appropriate lessons from the crisis, an immediate start must be made on the establishment of stable security structures in the region. In this connection, the implementation of initiatives which would make it possible substantially to reduce the level of tension in the Middle East would be of great importance.
3. We noted with great interest, in particular, the proposal by the President of Egypt, Mr. Mubarak, regarding the establishment in the Middle East of a zone free from all types of weapons of mass destruction. This proposal, which takes into account the interconditionality of the elimination of various types of weapons of mass destruction from the region, is a development of the idea put forward by the General Assembly of the establishment of a nuclear-weapon-free zone in the Middle East.
4. As a consistent proponent of the establishment of nuclear-free zones, the Soviet Union considers that the creation of such a zone in the Middle East would make a considerable contribution to the emergence of a system of security and cooperation in the region, and would promote the strengthening of the international regime for the non-proliferation of nuclear weapons.
5. The regime for such a zone could provide for an obligation on the part of the States in the region to refrain from developing, producing or acquiring by any means nuclear explosive devices in any form anywhere within or beyond the limits of the nuclear-free zone in the Middle East, and also not to seek to obtain any assistance in producing or acquiring any types of nuclear explosive devices and not to permit their emplacement in their territories or in territories under their control. Accession of all countries in the region to the Treaty on the Non-Proliferation of Nuclear Weapons will be of decisive significance in speeding up the process of establishing a nuclear-free zone.

6. Monitoring functions with respect to the observance by participating States of the status of such a zone could be assigned to the International Atomic Energy Agency, with which the countries of the region would conclude agreements on safeguards covering all their nuclear material in all their nuclear activities. In our view, the mechanism established under the agreements should ensure reliable international control of all materials produced, imported or stockpiled in the region at any time.

7. For its part, the Soviet Union considers it important to institute cooperation regarding the establishment of a nuclear-free zone in the Middle East among the countries of the region, as well as among all concerned States which are not a direct part of the region but make an important contribution to the maintenance of peace and stability there.

8. We regard the establishment of a nuclear-free zone in the Middle East as a process which would take place in stages, and consider that the nuclear Powers could as of now declare their intention of respecting the nuclear-free status of the zone and in this connection refrain from deploying or testing any type of nuclear explosive devices in the territory of the Middle East countries. It also seems to us that the permanent members of the Security Council could, depending on how the situation develops, begin discussing a set of guarantees for the countries participating in the nuclear-free zone.

9. At the same time, we are convinced that a direct link exists between the process of curbing the arms race in the Middle East, including the establishment of a nuclear-free zone, and the need for active steps towards a political settlement of the Arab-Israel conflict. Successful progress in this direction would weaken the role of those factors which motivate the efforts of States in the region to build up their military arsenals.

10. A key role in the initiation of such a dialogue must unquestionably be assigned to the countries of the region. In particular, they could begin consultations on defining a set of necessary measures and possible mechanisms for putting them into effect.

11. In this connection, it would be important for the States of the region to take a new look at the role of the factor of military strength as one of the means of ensuring regional security.

12. A start could be made here by the adoption of regional measures for confidence-building and openness. Exchange of information on the capabilities and status of armed forces and their movements would reduce the perceived threat and lay the foundations for a progressive limitation and reduction of military arsenals to the level of reasonable sufficiency for defence purposes.

13. The nature of the confrontation in the region testifies to the fact that its nuclear-free status must be conditional upon the elimination of all types of weapons of mass destruction there.

14. Accordingly, we are counting on the countries of the region being among the first parties to the Convention on the Prohibition of Chemical Weapons.

15. It would also be important to make provision in the region for a regime to prevent the proliferation of the most destabilizing types of weapons, for limitation of the export of "sensitive technology" and for abstention from the manufacture or acquisition of ballistic missiles of more than a given range. Simultaneously, with a view to ensuring military balance, suitable limits on military air forces would also be established.

16. Any scheme for stabilizing the situation in the Middle East may prove ineffective in the absence of mutual restraint on the part of both the suppliers and the recipients of arms.

17. Obviously, the deployment of disarmament processes must be accompanied by the establishment of a well-developed and effective monitoring network.

18. As the European experience shows, a powerful impetus to the institutionalization of processes in a region and the establishment of reliable mechanisms for putting them into effect can be given through comprehensive discussion of the problems at the highest political level. It would seem appropriate to consider the question of the establishment of a nuclear-free zone in the Middle East together with certain other aspects of disarmament within the framework of a possible Middle East peace conference, the organization of which is currently the subject of active diplomatic efforts.

19. The Soviet Union expresses its readiness to participate constructively in discussing any initiatives aimed at stabilizing the situation in the Middle East, and hopes that the measures taken in this connection will lead to the establishment of a system of peace and security in the region.



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ESTABLISHMENT OF A NUCLEAR-WEAPON-FREE ZONE
IN THE REGION OF THE MIDDLE EAST

Report of the Secretary-General

Addendum

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REPLIES RECEIVED FROM GOVERNMENTS

Israel 2

ISRAEL

[Original: English]

[7 October 1991]

1. Since the submission of the study contained in the Secretary-General's report (A/45/435, annex), the Gulf war has intervened. Consequently, the comments of the Government of Israel on the report pertain to the situation as it appears at present. A few prefatory references to the present circumstances are therefore in order.

2. The Gulf war has borne out Israel's contention that it faces an existential problem, which is separate and apart from the Palestinian problem. Yet, it is only the latter which has been recognized, because it is amenable to compromise. The existential problem was disregarded because there is no compromise between existence and the denial of it. Others could disregard this, but Israel could not.

3. Iraq's threats to obliterate Israel by non-conventional means and its gratuitous launching of over 30 missiles against Israel, as well as the international deployment of half a million troops to confront the Iraqi forces, are stark evidence of what Israel would have had to face all alone from Iraq had it not been for the invasion of Kuwait.

4. Israel had maintained throughout the years that Iraq's threats were backed up by a nuclear programme designed to give substance to them. But Israel was condemned for putting the Osirak nuclear reactor out of action, and the item is still on the agenda of the General Assembly. During the Gulf war, however, Iraqi nuclear installations were specifically targeted by the coalition forces, and the scope of the Iraqi enterprise now stands revealed as a declared threat to Israel and a potential threat to Iraq's neighbours. Had it not been for the invasion of Kuwait, it is doubtful that the international community would have taken note of the resoluteness of the Iraqi nuclear programme any more than it had in the past.

5. Iraq profited from its status as a signatory to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) even as it stood in flagrant violation of its commitments. The concept of a nuclear-weapon-free zone, based solely on all-round adherence to NPT as it is embodied in United Nations resolutions, could not have prevented this development. The concept of a nuclear-weapon-free zone as proposed by Israel these last 11 years, which is based on direct negotiations and includes mutually reassuring arrangements, could most probably have prevented Iraq's menacing enterprise and also might have prevented a Middle East war altogether.

6. On all these topics, on Israel's existential problems, on Iraq's military nuclear multibillion dollar projects in fulfilment of their threats and on Israel's views of a credible nuclear-weapon-free zone, it is regrettable that Israel's voice was a lonely one and that so much effort was instead expended on arraigning and pressuring Israel, from which no threat emanated at any time.

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7. This experience fortifies Israel in its belief that it need follow its own counsel, as long as its affairs are not judged on their merits by others.

8. These observations invite some general conclusions.

9. There are regional circumstances and issues, especially in matters of security, which can only be settled if the States of the region feel inclined to settle them. These circumstances pertain to one's immediate neighbours, and they cannot be settled by bland international dispositions. A case in point is Europe, as are the treaties of Tlatelolco and Rarotonga in the nuclear context. It should be noted in this regard that Iraq presented no military threat to any country outside this region.

10. Weapons of mass destruction are, in the view of the Government of Israel, all those weapons that can kill civilians indiscriminately. Superior quantities of conventional weapons are as much a part of this category as are weapons traditionally classified as weapons of mass destruction. Given Israel's situation, it is obvious that arms control need include all these types of weapons.

11. Confidence is the basis for any agreement. And unlike technical dispositions, confidence can only be built over time. The Helsinki Accords took many years to mature, and recent upheavals in Europe illustrate how cautious one need be.

12. In order to reassure Israel, confidence-building measures are a most essential beginning to any credible peace process. Such measures would include, inter alia:

(a) A public recognition and acceptance of any State of the region as an integral part of the region. Israel has throughout affirmed its recognition of the Arab States;

(b) A public declaration on the part of all States of the region that they will not resort to force in the settlement of their differences. Israel, for its part, is ready to reaffirm its repeated pledges to this effect;

(c) A public renunciation on the part of all States of the region of attempts to enforce a boycott of any of them or to delegitimize the international standing of any of them. Israel, for its part, has never employed such measures and undertakes never to resort to them in the future.

13. The recurrent wars in the Middle East, as well as most of the present problems in the region, need not have arisen if these simple modes of conduct had been accepted and observed.

14. The building of confidence, moreover, requires progress on outstanding political problems. For when tensions abate, the likelihood of a promising attempt at arms control grows proportionately. It is far too early to tell if the Middle East is finally emerging from a past fraught with wars. But Israel

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cannot contemplate its situation with equanimity as long as its existence is still questioned by any of its neighbours.

15. All that which has been said above is pertinent to the comments of the Government of Israel on the thoughtful report of the Secretary-General. The Government of Israel appreciates the careful analysis contained in the Secretary-General's report and especially of the difficult situation which Israel has faced and continues to face.

16. While a good number of the confidence-building measures of a general nature proposed in the report are acceptable to the Government of Israel, the more substantive proposals make unrequited demands on Israel which are not consistent with the analysis contained in the report itself. These demands would only aggravate Israel's situation rather than alleviate it.

17. The following juxtaposition of the report's analyses and proposals will bear out the concerns of which Israel cannot divest itself.

18. In paragraphs 97 and 98, the report spells out the precariousness of Israel's situation. Yet, no mention is made of express and unconditional threats to Israel's existence nor of the fact that Israel has never threatened any country. In this "sustained hostility between itself [Israel] and the great majority of the States of the region", mentioned in paragraph 98, there is no symmetry. Israel has no a priori hostility towards any State.

19. Paragraph 81 of the report makes a nuclear-weapon-free zone dependent on all-round adherence to NPT or International Atomic Energy Agency (IAEA) safeguards. Ample reference to this suggestion has already been made above, and experience has borne out Israel's contentions. It is regrettable that the report makes no reference to Israel's concept of a nuclear-weapon-free zone and its confidence-building modalities.

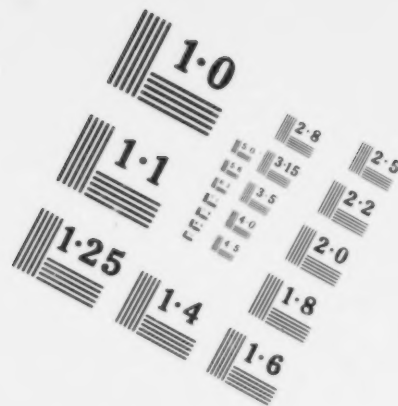
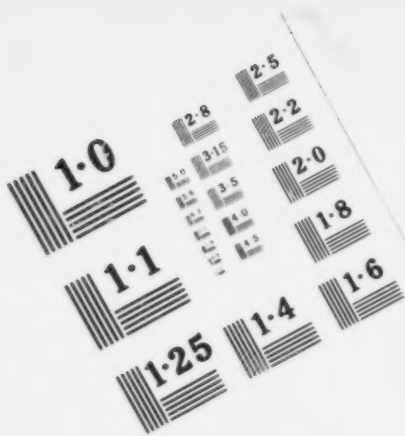
20. The Government of Israel fully supports the references in paragraph 110 to the need for confidence, and the "linkage" among all the elements which affect security as set out in paragraph 151. The Government of Israel especially subscribes to paragraph 153, which says clearly that technical-military confidence-building measures cannot substitute for the political process.

21. In paragraphs 112 to 115, 120, 180 and 181, the report dwells on putting all Israeli nuclear facilities under IAEA inspection. This suggestion is disturbing, because it proposes that Israel abandon its policy of making safeguards dependent on the prior negotiation of a nuclear-weapon-free zone and the confidence-building modalities leading towards it. As has been said repeatedly, the Israeli concept need lead to a cessation of wars altogether and the nuclear-weapon-free zone will be credible once all parties have confidence that outstanding disputes will no longer be settled by force.

22. The pressure on Israel to put its nuclear installations under full-scope safeguards ignores, for the sake of principle, Israel's special concerns,

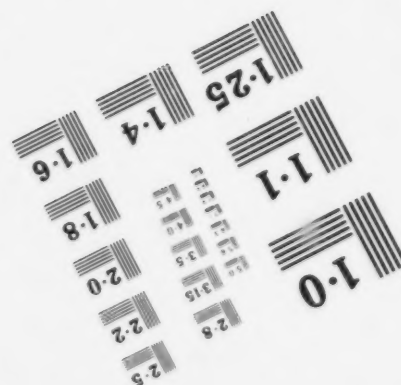
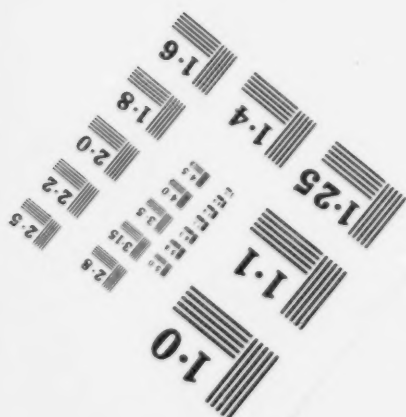
which were recently illustrated by the Gulf war. In particular, the Arabs' refusal to negotiate a nuclear-weapon-free zone with Israel, and their insistence on keeping up international pressure for Israel to accept full-scope safeguards, does not bode well. Israel views this as an attempt to keep it well controlled in the nuclear realm while retaining the option of waging war against it. Israel needs a sustained climate of confidence in order to see things differently.

23. Israel needs to be reassured, above all, that there is a will to redress its precarious situation, as described in the report. Confidence-building by way of direct negotiations and advances in the political process must precede confidence-building measures of a technical nature. The latter feed on the former.



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Forty-sixth session
Items 32, 50, 60 and 62
of the preliminary list*

ZONE OF PEACE AND COOPERATION OF THE SOUTH ATLANTIC

IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 45/48 CONCERNING
THE SIGNATURE AND RATIFICATION OF ADDITIONAL PROTOCOL I OF THE
TREATY FOR THE PROHIBITION OF NUCLEAR WEAPONS IN LATIN AMERICA
AND THE CARIBBEAN (TREATY OF TLAHELCO)

GENERAL AND COMPLETE DISARMAMENT

REVIEW OF THE IMPLEMENTATION OF THE RECOMMENDATIONS AND DECISIONS
ADOPTED BY THE GENERAL ASSEMBLY AT ITS TENTH SPECIAL SESSION

Letter dated 10 July 1991 from the Chargés d'affaires a.i. of the
Permanent Missions of Argentina and Brazil to the United Nations
addressed to the Secretary-General

Acting upon instructions from our Governments, we have the honour to
transmit the text of resolution 271 (XII) on the Foz de Iguazú Declaration
concerning the joint nuclear policy of Argentina and Brazil adopted on
9 May 1991 in Mexico City by the Agency for the Prohibition of Nuclear Weapons
in Latin America and the Caribbean (OPANAL) at its twelfth regular session
(see annex).

We should be grateful if you would have the text of this letter and its
annex circulated as an official document of the General Assembly, under items
32, 50, 60 and 62 of the preliminary list.

(Signed) Alfredo CHIARADÍA
Minister Plenipotentiary
Chargé d'affaires of Argentina

(Signed) Luiz Augusto de ARAUJO CASTRO
Ambassador
Chargé d'affaires of Brazil

* A/46/50.

Annex

Resolution 271 (XII) adopted by the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean at its twelfth regular session entitled "Foz de Iguazu Declaration on the joint nuclear policy of Argentina and Brazil"

The General Conference,

REAFFIRMING that the prohibition of nuclear weapons in Latin America and the Caribbean is a priority objective for all countries in the region,

EMPHASIZING that it is important, for the achievement of this objective, that all countries in Latin America and the Caribbean should become parties to the Treaty of Tlatelolco,

UNDERSCORING that it is incumbent upon the countries possessing nuclear weapons to permit the consolidation of Latin America and the Caribbean as a nuclear-weapon-free zone by becoming Parties to Protocol II to the Treaty, and that it is important that all States having responsibility for territories within the zone defined by the Treaty should become full Parties to Protocol I to the Treaty,

BEARING IN MIND that the Presidents of Argentina and Brazil signed the Foz de Iguazú Declaration on joint nuclear policy on 28 November 1990, thereby undertaking to "Take, once the Agreement on safeguards is concluded with the International Atomic Energy Agency, appropriate initiatives so that the Treaty for the Prohibition of Nuclear Weapons in Latin America (Treaty of Tlatelolco) may enter fully into force with respect to the two countries, including negotiations to update and improve the text thereof",

CONSCIOUS of the importance of that Declaration for the prohibition of nuclear weapons in Latin America and the Caribbean,

DESIRING that the process embarked upon by Argentina and Brazil should facilitate the full entry into force of the Treaty of Tlatelolco,

RESOLVES TO:

1. WELCOME with satisfaction the presidential Foz de Iguazú Declaration on the joint Argentine-Brazilian nuclear policy of 28 November 1990;
2. HIGHLIGHT the importance of the measures being adopted by Argentina and Brazil to put into practice what is envisaged in the Declaration, in accordance with the objectives and purposes of the Treaty of Tlatelolco;
3. EXPRESS the hope that negotiations between Argentina and Brazil with the International Atomic Energy Agency for the elaboration of an agreement on safeguards may promptly result in an agreement that is satisfactory to the parties involved;

4. OFFER its collaboration for the success of the negotiations envisaged in the Declaration so that the Treaty of Tlatelolco may enter fully into force for both countries;

5. INVITE Argentina and Brazil to keep it informed of the progress made in the implementation of that Declaration.

Adopted at the 69th meeting, on 9 May 1991.



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Item 106 of the preliminary list*

FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS,
AND REPORTS OF THE BOARD OF AUDITORS

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the summary of the principal findings and conclusions for remedial action of the Board of Auditors, contained in its reports to the General Assembly on the audit of the accounts for the financial period ended 31 December 1990, prepared by the Board of Auditors in accordance with General Assembly resolution 45/235 of 21 December 1990 (see annex).

* A/46/50.

ANNEX

Concise summary of principal findings, conclusions and
recommendations of common interest, classified by audit
area, contained in the reports prepared by the Board of
Auditors for the General Assembly at its forty-sixth
session

Letter of transmittal

2 July 1991

Sir,

I have the honour to transmit to you in accordance with the request by the General Assembly in paragraph 25 of resolution 45/235, the document summarizing the principal findings, conclusions and recommendations of common interest, classified by audit area, contained in the reports prepared by the Board of Auditors for the General Assembly at its forty-sixth session.

Accept, Sir, the assurances of my highest consideration.

(Signed) Heinz Günter ZAVELBERG
President of the Federal Court
of Audit of Germany
and Chairman
United Nations Board of Auditors

The Secretary-General of the United Nations
New York, N.Y.

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Introduction

1. In paragraph 25 of its resolution 45/235 of 21 December 1990, the General Assembly recommended that the Board of Auditors continue to submit to it a concise document summarizing its principal findings, conclusions and recommendations of common interest, classified by audit area and, where appropriate, identifying the audited organization.

2. The findings, conclusions and recommendations included in the present report are only those of relative importance in audit areas of common interest to the organizations being reported on. Findings, conclusions and recommendations that are not of common interest to the organizations audited will be found in the individual reports.

3. For the present session of the General Assembly, the Board has prepared reports for the following organizations which have annual financial periods:

Voluntary Funds Administered by the United Nations High Commissioner for Refugees (UNHCR);

United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA);

United Nations Institute for Training and Research (UNITAR).

4. In paragraph 8 of resolution 45/235, the General Assembly invited the Board of Auditors to issue a special report for United Nations organizations audited on a biennial basis for the first year of each biennium through the Advisory Committee on Administrative and Budgetary Questions, if in the opinion of the Board there were matters that needed to be brought to the attention of the governing bodies and/or the General Assembly. Accordingly, the Board has prepared mid-biennium reports on the following organizations:

United Nations Development Programme (UNDP);

United Nations Population Fund (UNFPA);

International Trade Centre (ITC).

5. The Board also examined the accounts of the United Nations Joint Staff Pension Fund, and the audit report thereon will be included in the report of the United Nations Joint Staff Pension Board.

6. The principal findings, conclusions and recommendations of common interest, classified by audit area are set forth below.

Budgetary control

7. In UNDP, considerable over-expenditures as well as unspent balances of project budgets indicate deficiencies in project management by the Office for Project Services (OPS). The Board recommended that budget management and completion of projects executed by OPS need to be improved effectively.

8. The designation and execution of certifying and approving functions in field offices of UNFPA was found to have flaws in numerous cases and the execution of supervisory functions by headquarters in this respect showed considerable weaknesses. The Board recommended that the existing provisions governing the designation and execution of certifying and approving functions in the field be revised and that the execution of supervisory functions by headquarters regarding the certifying and approving functions in the field has to be strengthened.

9. In UNFPA, support activities are not paid to non-governmental organizations (NGOs) on an equal scheme of assessment and on the basis of actual project expenditures. The Board recommended that clarification is needed in order to ensure that those non-governmental organizations receive support costs on an equal scheme of assessment and on the basis of actual project expenditures.

10. In UNITAR, there was an incurrence in 1990 of a budget deficit amounting to \$63,126 in the General Fund and \$28,383 in the Special Purpose Grants Fund. The Board recommended that vigilance should be exercised in the monitoring and incurrence of expenditures to ensure that these are incurred within the approved budget and released allotment advices.

11. Expenditures amounting to \$205,810.81 were incurred by UNITAR prior to receipt of allotment advices. The Board is of the opinion that the Administration should consider the setting up of an imprest account for projects executed by UNDP and to explore ways of improving the system of releasing and accounting of allotment advices.

12. Expenses incurred in field offices of UNITAR are directly charged to expenditures without obligation. Total expenditures amounted to \$868,700.35 whereas obligations set up for the whole year amounted to \$116,754.00 only. The Board recommended that the system of authorizing, controlling, monitoring, and reimbursing expenditures in the field offices should be improved.

13. In UNITAR, there is a considerable decline in number of donor countries, pledged contributions and collections over the eight year period from 1983 to 1990 using 1983 as the base year. The Board is of the opinion that the preparation of budget proposals should take into consideration the decline in revenue resources to allow realistic assumptions and projections.

Accounts and financial reporting

14. In UNRWA, it was noted that the total amount of outstanding pledges for UNRWA is equal to about 16 per cent of its total expenditure incurred in 1990. The Board recommended that outstanding pledges should be disclosed in a note to the financial statements.

15. In UNHCR, due to an inadequate review, long completed transactions recorded as cash in transit were not investigated and adjusted to reflect the correct balances in the related accounts. The Board is of the opinion that all funds in transit at year-end should be adequately investigated and promptly adjusted to reflect the actual balances in the related accounts.

16. The present bulk reporting of other trust funds in the financial statements of UNHCR does not permit adequate disclosure of individual trust funds with significant balances at the year-end. The Board recommended that to improve transparency, the reporting of "other trust funds" in schedule I should be expanded to disclose separately any trust fund with a favourable balance of \$500,000 and above at year-end.

17. In UNITAR, the accounting treatment for pledged contributions was changed from accrual to cash basis affecting the balances of some accounts in the financial statements. It is the opinion of the Board that the effects of the change in accounting policy should have been fully disclosed.

18. Prior year expenditures in UNITAR amounting to \$10,713 were directly charged against expenditures for the current year. The Board recommended that expenditures incurred in prior years and recorded during the current year should be shown as a separate item in the statement of results of operations for the year.

Cash management

19. In UNRWA, an average of \$US 20 million cash is kept freely available on current/call accounts for unforeseen events. The Board recommended that idle cash should be placed on higher yielding time deposits to the extent permitted without neglecting other cash management considerations. In addition it was found that in some cases interest and exchange rate gains arising from project funds are not credited to these funds but to the General Fund. The Board recommended that income from these sources should be credited to the corresponding fund.

20. In spite of high advances in UNFPA, very little interest income is reported by recipient Governments. The same applies for intergovernmental institutions and agencies, including non-governmental organizations. The Board recommended that further steps are required to enhance the control of interest income earned by executing agencies on funds provided by UNFPA.

Technical co-operation and project activities

21. Not only have the Standard Basic Agreements not yet been signed with all agencies of the United Nations system executing UNDP projects but those signed are deficient. They do not warrant full audit coverage of funds entrusted to the agencies by UNDP and adequate information about audit findings. UNDP or its external auditors have no possibility to audit how the funds have been spent. The Board recommended that further efforts are needed to ensure that all executing agencies that are organizations of the United Nations system sign basic agreements about their responsibilities in executing UNDP funded projects. It also recommended that the standard Basic Executing Agency Agreement should be amended in such a way as to ensure that not only the accounts, but also effectiveness and efficiency of project management are audited by the Agencies' External Auditors, that all audit findings concerning project execution, and not only those included in the Auditors' report, are submitted to UNDP and its External Auditors, and that UNDP itself has the mandate to review project implementation by the respective executing agency.

22. In spite of a high workload for the Office for Project Services (OPS) in UNDP, project management officers and division chiefs, the Project Acceptance Committee has not yet been used to regulate the increase in projects awaiting execution by OPS. The Board recommended that the number of projects awaiting execution by the Office for Project Services be strictly controlled so that the management capacity of the Office is not exceeded.

23. In UNDP devices that could facilitate the monitoring function and thus improve project management performance have not been implemented or are inadequate. In the Board's view an early systematic approach identifying information needs and requirements could have avoided the current difficulties as well as the need for costly interim measures.

24. In spite of a lack of reliable results and an in-depth evaluation of the pilot phase, the "Economists for Africa" Programme (Economist Programme) was extended. An in-depth evaluation of the Economist Programme was still missing after five years of implementation. The Board recommended that new development initiatives should be designed and tested in such a way that reliable results verified by an evaluation can be obtained during a trial period, thus providing a sound basis for the subsequent decision about full-scale implementation of the initiative and warranting further and/or increased input of resources.

25. In UNFPA, the circumstances under which funds for pre-project activities may be approved are not clearly defined and specified with regard to purpose, scope and necessary inputs. In addition, no precautions are in place warranting that the proportion of pre-project activities remains within reasonable limits with respect to the financial volume and the duration of the intended project itself. The Board recommended that provisions should be established warranting that the purpose, scope, duration and necessary inputs of any pre-project activities are precisely specified and that approval

authority for pre-project activities should be restricted to the financial volume and the scheduled duration of the actual projects.

26. In UNHCR, the review of project activities disclosed operational weaknesses that adversely affected the timely implementation and closure of projects. The Board recommended that implementing agencies should be encouraged to ensure timely reporting of project activities to facilitate the closure of completed projects.

27. Supplies valued at \$294,401 temporarily stored by UNHCR in warehouses in a host country pending trans-shipment to their final destination were allegedly confiscated by customs officials of that country. The Board recommended that UNHCR should take appropriate measures to recover the confiscated goods and to improve facilities planning to ensure the availability of adequate accommodation prior to the shipment of goods. The Board also noted inefficient utilization by an implementing agency of project funds allocated for hospitality, accommodation and communications. In the Board's view, the administration should re-emphasize to implementing partners/agencies that the utilization of donor contributions for the welfare of refugees should always override other considerations.

28. In UNRWA, specific local requirements were not taken into account when a new school was designed and constructed in the West Bank. In the view of the Board, the Agency should provide for more flexibility in the design of schools to allow for adjustments to local circumstances.

Financial management and control systems

29. In UNHCR, recovery of project funds embezzled by an implementing agency was not effectively enforced as provided for in the implementing agreement. The Board recommended that provisions in the implementing agreements on the effective recovery from implementing agencies of project funds not utilized for purposes intended should be rigorously enforced, as this will compel the executing agencies to improve control of project funds.

30. The absence of effective supervisory controls enabled an Administrative Assistant (Finance) of UNHCR field office to commit a number of administrative and financial improprieties, including the embezzlement of funds valued at approximately \$US 17,759. Additionally, three staff members of an implementing partner were suspected of misappropriating project funds amounting to \$US 133,097 of which a transfer of \$US 69,767 was made into a fictitious savings account. The Board recommended that existing organizational arrangements and procedures for the management of cash resources in the field offices should be strengthened and personal responsibility for losses re-emphasized.

31. Our audit visits to field offices confirmed the difficulty of providing adequate protection for UNHCR cash and property in certain unfavourable political situations. The Board recommended that the difficulty of providing adequate protection for UNHCR resources in the field offices in violent

political situations should be carefully reviewed and appropriate remedial action taken.

32. In UNITAR for the Special Purpose Grants Fund, there exists an inadequate system for controlling and monitoring expenditures for each project in accordance with specific grant agreements. The Board is of the opinion that a system of project code identification that allows direct referencing of project funds with grant agreements should be adopted.

33. The applicability of United Nations administrative instructions to the International Trade Center remains unresolved. This constitutes a weakness in ITC's internal control system. In the opinion of the Board there is an urgent need to decide whether or not ITC has to comply in full with United Nations administrative instructions and, if not, what directives ITC should follow instead.



General Assembly

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Forty-sixth session
Item 106 of the preliminary list*

FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS,
AND REPORTS OF THE BOARD OF AUDITORS

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Board of Auditors on the implementation of previous recommendations of the Board in accordance with paragraph 13 (a) of General Assembly resolution 45/235 of 21 December 1990 (see annex).

* A/46/50.

ANNEX

Report of the Board of Auditors on the implementation of previous
recommendations of the Board as requested by the General Assembly
in paragraph 13 (a) of its resolution 45/235

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Letter of transmittal

2 July 1991

Sir,

I have the honour to transmit to you, in accordance with the request by the General Assembly in paragraph 13 (a) of resolution 45/235, the report of the Board of Auditors on the implementation of previous recommendations of the Board.

Accept, Sir, the assurances of my highest consideration.

(Signed) Heinz Günter ZAVELBERG
President of the Federal Court
of Audit of Germany
and Chairman
United Nations Board of Auditors

The Secretary-General of the United Nations
New York, N.Y.

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Introduction

1. In paragraph 13 (a) of its resolution 45/235 of 21 December 1990, the General Assembly requested the Secretary-General and the executive heads of the United Nations organizations and programmes to submit to their respective governing bodies, as well as to the General Assembly at its forty-sixth session, detailed progress reports on steps taken to implement previous recommendations of the Board of Auditors and the related recommendations of the Advisory Committee on Administrative and Budgetary Questions and to explain if any of those recommendations have not yet been implemented, and requested the Board and the Advisory Committee to evaluate the efficacy of those measures, and to report thereon to the General Assembly at its forty-sixth session.

2. The Board was provided with the reports prepared by the administrations in reply to the above request of the General Assembly. The comments of the Board are contained in its reports to the General Assembly on the accounts of the following organizations for the year ended 31 December 1990: UNITAR, UNRWA and UNHCR. In addition, interim reports were prepared by the Board for the first year of the biennium 1990-1991 on UNDP, UNFPA and ITC which, with the exception of ITC, also contain the comments of the Board on the implementation of its previous recommendations. In the case of ITC, the implementation of previous recommendations and the Board's comments thereon are found at the end of the present report.

3. The paragraphs that follow contain the replies from administrations, and corresponding comments of the Board, of organizations on a biennial basis and for which reports of the Board of Auditors to the General Assembly will only be prepared at the end of the present biennium 1990-1991.

United Nations Headquarters (Supplement No. 5 (A/45/5, vol. 1))

Recommendation 9 (a) of the Board report

4. Utmost importance should be given to the budget performance report to prevent the exceeding of appropriations. Further improvement of techniques for estimating the salaries portion of the appropriation, especially in the final performance report, could minimize the incidence of transfers between sections of the budget.

Measures taken by Administration

5. The Administration stated that the Advisory Committee on Administrative and Budgetary Questions in its report (A/45/570, para. 11), confirmed that it had approved the transfers between sections of the 1988-1989 budget.

6. With respect to the formulation of future budgets, the Administration agreed that there should be improved forecasting and further improvements in other administrative techniques to minimize transfers between sections of the budget.

Findings and comments of the Board of Auditors

7. During the interim audit for the year ended 31 December 1990, the Board has noted some efforts exerted by the Administration in minimizing transfers between sections of the budget. This recommendation, however, will still be followed up and specific steps taken will be identified in subsequent audits.

Recommendation 9 (b) of the Board report

8. Final outputs should be described clearly or quantified in the programme budget and in the programme performance report.

Measures taken by Administration

9. The Administration stated that it is not always possible to define outputs accurately, nor can certain activities be easily translated into quantifiable outputs in the programme performance report. It is also their view that the costing of outputs involves a number of technical problems. The Advisory Committee, after taking note of the statements of the Administration, expressed the hope that such factors will be taken into account by the Board of Auditors in their examination of the application of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation.

10. The Administration fully concurred with the recommendations of the Board on the need for comprehensive performance reporting and agreed that outputs funded totally or partially from extrabudgetary resources should be part of the performance report. Hence, these issues were addressed in the context of the preparation of the 1992-1993 programme budget.

Findings and comments of the Board of Auditors

11. While the Board realizes the predicaments involved in the quantification of outputs in the programme budget and in the programme performance report, it cannot dispense with the standards by which performance and resource utilization should be evaluated. For this is the essence of programme performance budgeting which is to ensure that resources are utilized in the most economical and efficient manner in the achievement of the Organization's objectives.

12. The Board shall continue to evaluate the implementation of this audit recommendation and review the same in the light of the predicaments presented by the Administration.

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Recommendation 9 (c) of the Board report

13. Consultation among offices and organizations should be increased in the preparation of estimate of extrabudgetary resources.

Measures taken by Administration

14. Administration agreed that there should be a closer review of submitted estimates with respect to extrabudgetary resources.

Findings and comments of the Board of Auditors

15. Evaluation of the impact of this recommendation will require more time and study on the part of the auditors. Hence, this will be pursued in future audits.

Recommendation 9 (d) of the Board report

16. Guidelines should be provided in the rendition and payment of overtime and for rationalizing the work schedule of the Security and Safety Services at Headquarters, in order to minimize costly work done before or after the prescribed official time.

Measures taken by Administration

17. This recommendation was immediately implemented. Guidelines prescribing security coverage on holidays were issued and the practice of claiming overtime payment when reporting for scheduled work one or two days immediately following a United Nations holiday was immediately discontinued.

Findings and comments of the Board of Auditors

18. No further comment, but the implementation of the guidelines will be reviewed in future audits.

Recommendation 9 (e) of the Board report

19. Incur expenditures only if covered by allotment. Identify over-expended allotments and take remedial measures.

Measures taken by Administration

20. The Administration has taken note of this recommendation and wished to assure the Board that when over-expended allotments are identified remedial measures are taken. They stated, however, that until such time as new automated systems improve the timeliness of information processing, they will be faced with cases in which over-expenditures may come to light only when the allotment has been exceeded.

Findings and comments of the Board

21. During the interim audit of the year 1990, the Board noted that, although there was effort to control expenditures within the allotment issued, the practice persisted especially in some unforeseen circumstances. This recommendation will be reviewed in future audits.

Recommendation 9 (f) of the Board report

22. Instruct the Office of the Coordinator for the United Nations Humanitarian and Economic Assistance Programmes relating to Afghanistan to furnish the Finance Service of the United Nations Office at Geneva with all documents regarding confirmed pledges for recording in the appropriate account, and to reconcile its accounts with the latter.

Measures taken by Administration

23. Administration reported that efforts have been made, and are still being made, to reconcile the reporting of pledges to the Afghanistan Emergency Trust Fund with those pledges made, and thereby provide a greater transparency in this area.

Findings and comments of the Board of Auditors

24. This recommendation is being initially implemented only; comments will be provided after a review of the reconciliation is made.

United Nations Children's Fund
(Supplement No. 5B (A/45/5/Add.2))

25. As requested in paragraph 13 (a) of General Assembly resolution 45/235 we have reviewed UNICEF document E/ICEF/1991/AB/L.3 dated 20 February 1991 on the status of actions taken to implement the recommendations of the Board made in its report on UNICEF for the biennium ended 31 December 1989.

Recommendation No. 1 of the Board report

26. The total charge of \$8.3 million on the Emergency Reserve Fund for the biennium, which was distributed among general resources programme expenditures in the beneficiary countries to the Fund, should be adjusted and disclosed separately in statement VI.

Measures taken by Administration

27. In the interim financial reports and statements for the year ended 31 December 1990, the total charges on the Emergency Reserve Fund are disclosed separately in statement VI, as recommended. This procedure will be followed consistently in the future.

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Findings and comments of the Board of Auditors

28. This has been fully implemented.

Recommendation No. 2 of the Board report

29. The policy of recognizing cash advances to Governments in the accounts of UNICEF as programme expenditures must be supported by sufficient evidence on the effective utilization of these advances for purposes intended. In this connection, the following must be considered:

- (i) A more effective procedure for advancing and monitoring cash advances to Governments should be instituted to ensure adequate compliance with the policy on timely liquidation of these advances;
- (ii) The format of Form 153 should be reviewed to take account of the aging of advances and to include other relevant management information;
- (iii) In order to facilitate monitoring, field offices should submit expenditure returns on cash advances directly to the Accounts Section;
- (iv) Field offices should be directed to include the policy on cash advances in all memoranda of understanding with Governments. For example, as spelt out in Financial Circular No. 15, no further transfer of funds may be made if a certificate of utilization of prior financing is outstanding for more than six months.

Measures taken by Administration

30. UNICEF has taken the following steps to ensure appropriate monitoring and control of cash assistance to Governments:

- (i) In October 1990, the Executive Director sent telexes to all heads of field offices, requesting timely reporting and appropriate management of cash advances to Governments and instructing them to obtain necessary documentation from Governments and to submit the required report to headquarters as soon as possible. In addition, at the initiative of the Comptroller, a high-level interdivisional task force was established to review and strengthen the control and management mechanism of advances to Governments. The task force will review accounting procedures, line of responsibilities and reporting structure of all parties involved, and recommend measures to improve the situation. The task force has started preparatory work and has scheduled a full two-week meeting for April 1991;
- (ii) The format of the report submitted to headquarters by UNICEF field offices (Form 153) has been reviewed and redesigned to take account

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of ageing of advances and will be implemented upon completion of the task force review;

- (iii) A senior staff member of the Accounts Section of the Division of Financial Management has been assigned to analyse and follow up the reports from field offices on advances to Governments;
- (iv) Upon completion of the task force review, field offices will be directed as to the necessary policy and procedures in line with the recommendations of the external auditors.

Findings and comments of the Board of Auditors

31. A number of measures, including improved reporting documentation and the establishment of an interdivisional task force, have been taken to review and strengthen the control and management of advances to Governments. However, considering the fact that the Task Force is scheduled to complete its work by 31 December 1991 it can be said that adequate remedial action can only be taken after that date.

32. Consequently, our review disclosed that as at 1990 advances continued to be granted to Governments although expenditures on the utilization of some previous advances had not been submitted. The recommendation has therefore been re-emphasized in an interim audit.

Recommendation No. 3 of the Board report

33. The Administration is urged to continue with its efforts of securing the review of UNICEF financial regulation 4.10 with a view to ensuring consistency in the recording of gains and losses on currency exchange.

Measures taken by Administration

34. Following Executive Board approval at its April 1990 regular session of the amendment to financial regulation 4.10 (decision 1990/28), a consistent approach in recording gains and losses is now being implemented. The revised regulation reads as follows: "Regulation 4.10: Differences resulting from the payment of contributions pledged in currencies other than United States dollars shall be recorded against these contributions".

Findings and comments of the Board of Auditors

35. This recommendation has been implemented.

Recommendation No. 4 of the Board report

36. The need to siphon excess liquidity into the provision of additional services should be considered.

Measures taken by Administration

37. With regard to the utilization of excess liquidity in convertible currencies, general resources expenditure for the current medium-term plan are at levels that will steadily reduce the general resources convertible cash balance to the required level of 10 per cent of general resources income by the end of 1993. With regard to the increase in non-convertible currency holdings, UNICEF is making every effort to utilize these holdings, although there have been some constraints because of the limited availability, in some cases, of appropriate goods and services to purchase.

Findings and comments of the Board of Auditors

38. The efforts of the Administration in seeking opportunities to utilize UNICEF's non-convertible currencies are acknowledged, although results were not immediately apparent. The considerable reduction in non-convertible currency at 31 December 1990 resulted from changes in exchange rates rather than from currency utilization.

Recommendation No. 5 of the Board report

39. In order to ensure accuracy and reliability of accounting data, the Administration should continue to explore the possibility of instituting effective action to improve the coding of accounts and to enhance the integrity of data at the field office level.

Measures taken by Administration

40. The Administration has supported training activities for field office personnel in all areas related to the submission of accounts in a correct and timely manner. At the same time, dialogues and studies are regularly undertaken to improve the electronic data processing systems for field office reporting of accounts to headquarters in order to further enhance data integrity.

Findings and comments of the Board of Auditors

41. The situation has shown a remarkable improvement. The suspense account balance reduced from \$17 million to a mere \$145,999.00 as at 25 April 1991.

Recommendation No. 6 of the Board report

42. Project planning should adequately articulate implementation requirements to enhance programme delivery. In addition, circumspection is advised in the reallocation of funds from slow-moving projects to fast-moving ones, so that the policy does not result in the unconscious neglect of projects located in "difficult" areas which have perennial implementation problems.

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Measures taken by Administration

43. UNICEF has been making continuous efforts to enhance programme delivery, not only in terms of overall implementation, but also in terms of specific needs and priorities of the country programmes. Preliminary data show that the implementation of country programmes in 1990, as compared to 1989, improved in terms of overall implementation and number of countries with a low implementation rate, as shown in the following table:

	<u>1989</u>			<u>1990</u>		
	SF	GR	All funds	SF	GR	All funds
Total call forward level (in millions of United States dollars)	320	261	581	305	324	629
Number of countries with low implementation rate (below 75 per cent)	48	15	35	37	13	16
Implementation rate (per cent) (global)	76	91	82	79	91	85

SF = supplementary funds

GR = general resources

44. The level of call forwards in 1990 increased by 8 per cent from \$581 million in 1989 to \$629 million in 1990. Correspondingly, the number of countries with low implementation rates (below 75 per cent) for combined sources of funding was reduced by one half, from 35 to 16 countries. Only 6 out of 44 countries in Africa had low implementation rates in 1990, as compared to 18 in 1989. Of the six countries, two were facing emergency situations, three were managed by sub-offices and one by a newly established country office.

Findings and comments of the Board of Auditors

45. Delivery of country programmes showed a slight improvement in terms of overall implementation. The number of countries with a low implementation rate also showed a downward trend over the 1989 figures. It is, however, difficult to attribute this improvement to any specific measures undertaken in the course of 1990.

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Recommendation No. 7 of the Board report

46. The monitoring of project implementation needs further improvement so that over-expenditures that would otherwise be absorbed by general resources in the absence of supplementary funding could either be eliminated or kept to a minimum.

Measures taken by Administration

47. The administration is aware of the issue raised by recommendation 7, and one of the principal thrusts for 1991 will be improved monitoring of programme implementation, both quantitatively and qualitatively. While accepting the validity of this recommendation, the administration believes over-expenditure would be unavoidable in some selected cases because of price fluctuations of the orders placed, depending on the place of origin. However, strict scrutiny will be observed so that it is kept to a minimum.

Findings and comments of the Board of Auditors

48. Over-expenditures on supplementary-funded programmes persisted in 1990. Interdivisional efforts are ongoing to improve programme budget administration.

Recommendation No. 8 of the Board report

49. With the rate of expansion in the operational activities of UNICEF, which has exceeded the staff resources, it will be necessary for the administration to take steps to assess staff needs, especially of the operational divisions, with a view to taking appropriate corrective action.

Measures taken by Administration

50. In 1990, the Budget Planning and Review Committee of UNICEF conducted a comprehensive review of the staff resource requirements of all UNICEF offices, including operational divisions, to maximize utilization of resources and to meet the challenging goals of the organization. The outcome of the review is reflected in the proposed budget for the biennium 1992-1993 (E/ICEF/1991/AB/L.1), which includes the necessary strengthening of operational functions, both at headquarters and field offices, within the constraints of expected resource affordability.

Findings and comments of the Board of Auditors

51. A review of the staff needs has been completed and reflected in the proposed programme budget for the biennium 1992-1993 (E/ICEF/1991/AB/L.1) pending the approval of the Executive Board.

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Recommendation No. 9 of the Board report

52. During fund-raising activities, prospective donors should be encouraged to provide sufficient information on their contributions in order to facilitate their accounting, acknowledgement and effective utilization. In this connection, a standard advice form indicating the relevant information may be completed by donors.

Measures taken by Administration

53. The Administration supports the recommendation that a standard form should be designed for donor use and agrees with the auditors that it is necessary to alert donors to the needs of UNICEF. To this end, the Administration has requested donors to indicate the purpose of funds when payment is received.

Findings and comments of the Board of Auditors

54. Sufficient information on contributions is still lacking. During our interim audit we reiterated the need to improve information flow between UNICEF and donors to facilitate recording and reporting of contributions.

Recommendation No. 10 of the Board report

55. Payment of bills should as far as possible be delayed until the last date in order to explore the possibility of obtaining maximum returns on monies that can be put into short-term investments.

Measures taken by Administration

56. Additional care, especially in the past year, has been taken by the Administration to ensure that payments are made as close to the due date as possible, while at the same time avoiding incurring charges for late payments.

Findings and comments of the Board of Auditors

57. It has been implemented.

Recommendation No. 11 of the Board report

58. The existing procedures for reporting staff indebtedness before the payment of the final cash advance on separation require adequate monitoring so that all monies due from separating staff members can be fully and promptly recovered prior to separation.

Measures taken by Administration

59. The administration has taken steps to strengthen overall control over staff personal accounts. The integration of all staff-related accounts under one supervisor will be implemented in 1991 to further streamline existing procedures and ensure adequate monitoring thereof. In the meantime, efforts are being intensified to review and ensure correctness of account balances.

Findings and comments of the Board of Auditors

60. Stringent measures have been put in place (i.e. confirmations are sought from both Personnel and Accounts) before payments are made to staff on separation. Additionally, a Committee has recently been set up to redesign the staff personal account. It is expected to complete its work before the end of 1991.

Recommendation No. 12 of the Board report

61. The need for the centralized control of "attractive" inventory items, such as computers and vehicles, should be considered. For this purpose, field offices should submit copies of their inventory as of 31 December each year to be reflected in the headquarters master inventory list.

Measures taken by Administration

62. Implementation of the recommendation was undertaken by the Administration in 1990, resulting in the full compliance by all field offices in submitting their 1989 Inventory List of Non-Expendable Property. The necessary follow-up will be made to ensure consistent implementation of the recommendation in subsequent years.

Findings and comments of the Board of Auditors

63. This recommendation has been carried out.

Recommendation No. 13 of the Board report

64. Action should be taken to ensure the conclusion of a formal and adequate custodial arrangement of UNICEF drugs and equipment in a field office.

Measures taken by Administration

65. A new country office had been established to facilitate operations in that country and corrective measures are being taken to ensure adequate custodial procedures. The effectiveness of the measures to avoid non-recurrence of the finding will be properly evaluated.

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Findings and comments of the Board of Auditors

66. Beyond advising on the establishment of a new country office, it is not apparent what specific measures have been introduced to ensure effective custodial arrangements for drugs and equipment in that field office. Also, the effectiveness of such measures are yet to be adequately evaluated by the Administration.

Recommendation No. 14 of the Board report

67. UNICEF must strictly adhere to its policy of refraining from contracting construction projects with high commitments that might overburden its financial resources in the event that counterpart contributions are not forthcoming.

Measures taken by Administration

68. In response to the recommendation, the policy on support for construction activities was reviewed, and the Administration gave instructions that discouraged contracting construction projects in principle and that these be undertaken only when deemed exceptionally necessary after due consultation with headquarters.

Findings and comments of the Board of Auditors

69. No specific instructions had been issued during our evaluation. The Administration rather informed us that the issue was explained and discussed at a meeting of all Regional Representatives.

Recommendation No. 15 of the Board report

70. The requesting units of the Greeting Card Operation should be required to allow adequate lead time in their requisitions in order to ensure that materials are procured under optimum delivery, price and quality conditions.

Measures taken by Administration

71. Greeting Card Operation management agreed with the recommendation and has been reviewing the appropriate procedures to ensure that materials are procured under optimum delivery, price and quality conditions. In order to allow adequate lead time, an improved process of forward planning and ordering system is under consideration, in cooperation with the relevant United Nations Committees for UNICEF.

Findings and comments of the Board of Auditors

72. The implementation of this recommendation will be assessed during our next audit visit to the appropriate UNICEF Greeting Card Operation office.

United Nations Environment Programme
(Supplement No. 5F (A/45/5/Add.6))

Recommendation No. 1 of the Board report

73. Adequate competition in procurement should be encouraged in order to provide a greater latitude of choice and lower costs. In addition, suppliers with poor performance records should not be considered for future awards.

Measures taken by Administration

74. UNEP encourages adequate competition in procurement and regularly updates and extends the register of potential bidders to ensure wider distribution and more representative assortment of bids. The Administration also persists in its efforts to ensure the timely delivery of goods and services by its suppliers and to avoid delays in clearance of goods at ports as far as possible.

Findings and comments of the Board of Auditors

75. The recommendation has been implemented. We noted satisfactory internal control over the procurement function. However a few delays in the delivery of supplies persisted.

Recommendation No. 2 of the Board report

76. Efforts to monitor timely submission of project expenditures should continue so that financial statements will reflect all project expenditures in the financial period.

Measures taken by Administration

77. The monitoring procedures for the reporting of project expenditures by executing agencies were strengthened to ensure regular and timely submission of project expenditures. In fact, in 1988-1989 the auditors recognized that the record of submission of project expenditures was better than in any previous year.

Findings and comments of the Board of Auditors

78. Timely and effective monitoring of project expenditures was sustained.

Recommendation No. 3 of the Board report

79. A standard advice form, which would indicate, inter alia, the date of deposit, name of donor, amount and purpose, should be introduced to facilitate the prompt accounting for contributions.

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Measures taken by Administration

80. Whether the recording of contributions would be facilitated by the use of standard advice forms is in some doubt but this recommendation is being investigated further.

Findings and comments of the Board of Auditors

81. The Administration has implemented this recommendation only in cases where prompt and accurate accounting of contributions require the issue of advice forms. The Board will review in its future audits the effectiveness of the partial implementation of the recommendation being applied by the Administration and will report accordingly.

Recommendation No. 4 of the Board report

82. Existing procedures should be further strengthened in order to ensure the timely submission of travel claims and to facilitate the liquidation of travel advances.

Measures taken by Administration

83. Steps have also been taken for the strengthening of monitoring procedures to ensure the timely liquidation of travel advances.

Findings and comments of the Board of Auditors

84. Timely submission of travel claims and prompt liquidation of travel advances by regular staff members was noted. However, delays in their submission by non-staff members were observed.

United Nations Habitat and Human Settlements Foundation
(Supplement No. 5H (A/45/5/Add.8))

Recommendation No. 1 of the Board report

85. The cash management function should further be improved within the limitations of staff resources by the establishment of clearly defined lines of authority and responsibilities in order to enhance accountability.

Measures taken by Administration

86. The overlapping of responsibilities in the Finance Section in the previous biennium was unavoidable primarily because of increase in project activities and secondly because of the retrenchment exercise. However, despite the fact that the workload in the Section has increased tremendously with no corresponding or significant increase in the number of staff, corrective steps have been taken to the extent possible to adhere to the audit recommendation.

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Findings and comments of the Board of Auditors

87. Although measures were taken to reassign certain functions, it was not possible to adequately eliminate overlapping of responsibilities in the Finance and Personnel Sections due to staff constraints.

Recommendation No. 2 of the Board report

88. Appropriate effective action should be taken to ensure the timely submission of performance evaluation reports in order to afford prompt deletion from the payroll of the names of those employees whose contracts have expired.

Measures taken by Administration

89. The administrative measures taken to minimize delays in timely submission of performance evaluation reports in order to give adequate time for preparation of P5 actions to be completed before the expiry of existing staff members' appointments have been fully implemented. However, with regard to the timely extension of field experts contracts, the delaying factors as were explained in our responses to the audit observation are still unavoidable although improved.

Findings and comments of the Board of Auditors

90. The recommendation has been implemented; nevertheless opportunities for further improvement exist.

Recommendation No. 3 of the Board report

91. Project delivery should be further improved through the elimination of delays in the signing of project documents and through adequate monitoring and effective procurement action.

Measures taken by Administration

92. While the Centre has attempted to implement some of the recommendations that were practically possible in project planning and timely implementation of project execution, the major obstacles that hinder project activities from getting off the ground as were mentioned in our response to the audit observations still prevail. Nevertheless, the projects delivery figure for the first year of the biennium 1990-1991 as compared to the prior financial year of the same period clearly indicates noticeable improvement in project implementation.

Findings and comments by the Board of Auditors

93. The implementation of this recommendation is ongoing and a significant improvement in project delivery in 1990 was observed in our interim audit.

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Recommendation No. 4 of the Board report

94. The United Nations Centre for Human Settlements should continue its efforts in the collection of pledges to ensure a further reduction in the status of overdue pledges receivable.

Measures taken by Administration

95. As a result of continued vigorous collection efforts during the first year of the current financial period the combined outstanding pledges for the Foundation and the International Year of Shelter for the Homeless for the prior years and 1990 amounted to only \$371,364.00. This trend of continuous decline in outstanding pledges is expected to prevail during the second year of the biennium 1990-1991.

Findings and comments of the Board of Auditors

96. Implementation of the recommendation is confirmed by further improvement in the payment of pledges during the first year of the 1990-1991 biennium.

United Nations University
(Supplement No. 5 (A/45/5, vol. III))

Recommendation No. 1 of the Board report

97. Investment transactions should be taken up in the accounts on the date of receipt of confirmation of investment placement.

Measures taken by Administration

98. With regard to the recommendations of the Board concerning the investment management of the University funds, this matter has been under serious consideration by the Council of the University. Following extensive consultations with the appropriate officials at the United Nations Headquarters, as well as the Advisory Committee on Administrative and Budgetary Questions, I am pleased to inform you that the new investment management arrangements came into force on 1 April 1991. Furthermore, we have taken due note of the observations and the recommendations of the Board and it is the intention of the University to ensure the availability of accurate and timely investment information at all times.

Findings and comments of the Board of Auditors

99. This recommendation has been implemented.

Recommendation No. 2 of the Board report

100. Adequate procedures should be established in order to ensure the availability of accurate and timely investment information. In addition, a review of investment opportunities in favour of long term placements should be considered.

Measures taken by Administration

101. See No. 2 above.

Findings and comments of the Board of Auditors

102. New investment management arrangements came into force on 1 April 1991. Under the new arrangements the United Nations University intends to establish effective procedures to ensure the availability of accurate and timely investment information at all times.

103. The extent to which the new arrangements will effectively address the issues raised in the recommendation will be reviewed in our future audits.

Recommendation No. 3 of the Board report

104. Monitoring procedures should be improved in order to ensure the timely submission of travel claims and the prompt accounting for travel advances.

Measures taken by Administration

105. With regard to the timely submission of travel claims and other travel related matters, the University has continued to stress the importance of the timely submission of travel claims and undertakes periodical reviews in this connection with a view to further improving the travel control procedures.

Findings and comments of the Board of Auditors

106. Our evaluation of action taken to address the late submission of travel claims disclosed the need for further improvement. Significant delays which were blamed, in part, on heavy workload persisted.

Recommendation No. 4 of the Board report

107. The Administration should ensure the early finalization of the new procedures for programme planning and management in order to enhance programme delivery.

Measures taken by Administration

108. The new procedures for programme planning and management have been approved by the Council of the University and circulated to all concerned for implementation.

Findings and comments of the Board of Auditors

109. It is confirmed that the new procedures have been completed and circulated for implementation. The evaluation of the effectiveness of these procedures will be an ongoing process in our future audits.

Recommendation Nos. 5 and 6 of the Board report

110. WIDER should examine the feasibility of producing its own financial regulations and rules to cater for its specific needs and to ensure consistency of application of rules and procedures.

111. The Institute should continue with its efforts to complete the development of its copyright policies and publications procedures for distribution to its publishers and researchers.

Measures taken by Administration

112. With regard to UNU/WIDER's financial regulations and rules, it should be noted that UNU/WIDER is an integral part of the United Nations University, and therefore its financial operations should be regulated by the Financial Regulations and Rules of the United Nations as applicable to the United Nations University.

113. With regard to UNU/WIDER's copyright policies, UNU/WIDER being an integral part of the United Nations University, the provisions of the United Nations University Policy on Scholarly Publishing, which was approved by the University Council in 1979, are applicable to UNU/WIDER.

Findings and comments of the Board of Auditors

114. In the light of further comments provided by the United Nations University, the Board does not intend to pursue the implementation of these recommendations.

International Trade Centre
(Supplement No. 5 (A/45/5, vol. II))

Recommendation 6 (a) of the Board report

115. The review of all cases where ITC may deviate from United Nations regulations, rules and directives should be completed as at the end of the biennium 1990-1991.

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Measures taken by Administration

116. The Administration stated that the matter will be discussed with United Nations Controller in order to determine, before the end of this year, whether ITC can be exempt from observing the procedural provisions of ST/AI/285 in their entirety can be waived for ITC or whether there are now reasons for ITC to establish its own internal procedures with the agreement of the United Nations.

Findings and comments of the Board of Auditors

117. In the view of the Board, the question of whether or not the Centre has to comply with United Nations administrative instructions should be cleared in general and not only with respect to ST/AI/285. The Board has prepared an interim mid-biennium report to the General Assembly on this issue.

Recommendation 6 (b) of the Board report

118. Unpaid contributions for Trust Fund projects for future financial periods should be recorded in the financial statements in a manner consistent with the accounting of unspent UNDP allocations.

Measures taken by Administration

119. The Administration stated that it had accepted the Board's recommendations to account for unpaid Trust Fund contributions for future years in the same way as UNDP allocations; however, so far it had not been possible to arrive at a method for calculating those contributions which are to be treated as deferred income because of variations in the ways donors approve project contributions, i.e. some donors approve a global grant for one year, others approve individual projects with a duration of several years; some of the latter agree the funding for each year of the project separately, while others approve funds for the life of the project. Only with regard to the latter would it be likely that some pledged contributions for future periods would require to be considered as deferred income. At present, these could only be identified by a review of each and every project, and it is to be hoped that a less time-consuming procedure can be found for arriving at a reliable figure for the assets and liabilities' section of Statement V of the Centre's Financial Statements. It might even be necessary, in order to avoid any significant inaccuracies in the valuation of these items, to limit the reference to unpaid contribution for future periods to a footnote in the financial statements.

Findings and comments of the Board of Auditors

120. The Board is of the opinion that the procedure for identifying unpaid contributions for future financial periods can be facilitated by automatically attributing pledges and payments right from the beginning to the period to which they relate.

Recommendation 6 (c) of the Board report

121. Any deviation from the operating reserve level required by United Nations instructions should be authorized by the United Nations Secretariat. At any rate, taking into account the general increase of prices and the considerable increase of the Centre's activities, an appropriate adjustment of the reserve should be considered.

Measures taken by Administration

122. The Administration has pointed out that the reserve maintained by ITC, and included in the liabilities of Statement V, is not an operating reserve of the type described in ST/AI/285 but a reserve specifically established for the variance between the actual and standard costs of experts' services (paras. 1 (x) and 1 (xii) of the Centre's Summary of Significant Accounting Policies refer). It has consistently maintained that given the terms of the agreement which ITC has negotiated with donor Governments whereby interest earned from the investment of trust funds may be employed to maintain this reserve at the agreed level of \$700,000, an operating reserve at the level mentioned in ST/AI/285 is not required for ITC's trust funds. All projects were fully funded, i.e. there were no contingent liabilities which could not be covered by either (i) the standard cost system linked with the Centre's agreement with the donors to make use of trust fund interest or (ii) project allocations.

Findings and comments of the Board of Auditors

123. The Board took note that whereas previously it was not always clear whether the total contribution of one donor or a single project constitutes a trust fund, ITC has now decided to consider the total technical cooperation programme financed by contributions from donors a single trust fund. In this case the trust fund was a typical "multiple project" trust fund for which United Nations administrative instructions require an operating reserve at a level of 15 per cent of the annual estimated expenditures. If the Centre holds the view that for certain reasons such an operating reserve is not necessary, ITC should seek Headquarters' approval to deviate from administrative instructions in such an important matter.

Recommendation 6 (d) and 6 (e) of the Board report

124. The significant increase of unliquidated obligations related to technical cooperation activities calls for a thorough analysis of the operational aspects of project implementation to ensure a smoother delivery of project output over the whole financial period and to avoid a further increase of unliquidated obligations at the end of the financial period. Project planning should become more realistic by taking into account foreseeable delays when work plans and budget plans are prepared.

Measures taken by Administration

125. The Administration informed the Board that it had reviewed the operational aspects of project implementation and concluded that there are no structural impediments to the smooth implementation of project activities throughout the year. The proportions of unliquidated obligations recorded for training and equipment were not unusual. The increase in the proportion of the total unliquidated obligations recorded as of 31 December 1989, which was attributable to equipment to which the auditors drew attention, resulted from the placement of several high value purchase orders at the end of 1989. The increase in the unliquidated obligations recorded for training was no more than the normal type of variation in operational activities which could be expected to result from the setting by ITC of different programme priorities. Overall the level of outstanding obligations and their validity were borne out by the ratio of liquidations in the subsequent financial period.

Findings and comments of the Board of Auditors

126. Due to the delay of ITC's response, the Board was not in a position to verify the Centre's analysis. It will follow up on that matter during future audits.



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GENERAL ASSEMBLY
Forty-sixth session
Items 60, 61, 62, 68 and 137 of the
preliminary list*
GENERAL AND COMPLETE DISARMAMENT
REVIEW AND IMPLEMENTATION OF THE
CONCLUDING DOCUMENT OF THE
TWELFTH SPECIAL SESSION OF THE
GENERAL ASSEMBLY
REVIEW OF THE IMPLEMENTATION OF THE
RECOMMENDATIONS AND DECISIONS ADOPTED
BY THE GENERAL ASSEMBLY AT ITS TENTH
SPECIAL SESSION
REVIEW OF THE IMPLEMENTATION OF THE
DECLARATION ON THE STRENGTHENING OF
INTERNATIONAL SECURITY
DEVELOPMENT AND STRENGTHENING OF
GOOD-NEIGHBOURLINESS BETWEEN STATES

SECURITY COUNCIL
Forty-sixth year

Letter dated 9 July 1991 from the Permanent Representative
of Czechoslovakia to the United Nations addressed to the
Secretary-General

I have the honour to transmit herewith the texts of the Communiqué of the Political Consultative Committee of the Warsaw Treaty Member States (see annex I), which held a session at Prague on 1 July 1991, and the respective Protocol on terminating the validity of the Treaty of Friendship, Cooperation and Mutual Assistance, signed at Warsaw on 14 May 1955, and of the Protocol on extending its validity, signed at Warsaw on 26 April 1985 (see annex II).

* A/46/50.

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I would be most grateful if you could kindly have the text of the present letter and its annexes distributed as a document of the General Assembly under items 60, 61, 62, 68 and 137 of the preliminary list, and of the Security Council.

(Signed) Eduard KUKAN
Ambassador
Permanent Representative

/...

ANNEX I

C O M M U N I Q U E

the Political Consultative Committee of the Warsaw Treaty Member States held a session in Prague on July 1, 1991. Present at the talks were:

For the Republic of Bulgaria - Zhelyu Zhelev, President of the Republic of Bulgaria; Dimitri Popov, Chairman of the Council of Ministers of the Republic of Bulgaria; Viktor Valkov, Deputy Chairman of the Council of Ministers and Minister of Foreign Affairs of the Republic of Bulgaria.

For the Republic of Hungary - Jozsef Antall, Prime Minister of the Republic of Hungary; Geza Jeszenszki, Minister of Foreign Affairs of the Republic of Hungary; Ferenc Somogyi, State Secretary of the Ministry of Foreign Affairs of the Republic of Hungary.

For the Republic of Poland - Lech Walesa, President of the Republic of Poland; Jan Krzysztof Bielecki, Chairman of the Council of Ministers of the Republic of Poland; Krzysztof Skubiszewski, Minister of Foreign Affairs of the Republic of Poland.

For Romania - Ion Iliescu, President of Romania; Petre Roman, Prime Minister of Romania; Adrian Nastase, Minister of Foreign Affairs of Romania.

For the Union of Soviet Socialist Republics - G.I. Yanayev, Vice-President of the USSR; A.A. Bessmertnykh, Minister of Foreign Affairs of the USSR.

For the Czech and Slovak Federal Republic - Václav Havel, President of the Czech and Slovak Federal Republic; Marián Čalfa, Prime Minister of the Czech and Slovak Federal Republic; Jiří Dienstbier, Deputy Prime Minister and Minister of Foreign Affairs of the Czech and Slovak Federal Republic.

A Protocol on terminating the validity of the Treaty of Friendship, Cooperation and Mutual Assistance, signed in Warsaw on May 14, 1955, and of the Protocol extending the validity of the mentioned treaty of April 26, 1985, were signed at the session. The document signed at the session is subject to ratification.

The participants of the session proclaimed the following:

They agreed the present situation in Europe is endowed with qualitatively new relations of good neighborliness, partnership, mutual respect and friendly cooperation among the equal and sovereign states represented at the session.

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Proceeding from the above-mentioned, they support the development of relations in all areas on a renewed bilateral contractual-and-legal basis.

They voiced support for the further development of the all European process in the interest of creating new structures of security and cooperation on the continent in accordance with the results achieved at the CSCE summit in November, 1990, and they promoted the formation of an all-European framework of cooperation in the areas of security, economics, law, culture, ecology, and the humanitarian sphere, as it was stated in the Paris Charter for a New Europe.

According to the identical views expressed by the States represented at the session - stability, prosperity and the further development of democracy based on respect for human rights and fundamental freedoms in the countries of central and eastern Europe are in the interest of all participating states of the CSCE process.

The participants of the session expressed the readiness of their countries to hold, in the event of any such interest, bilateral of multilateral consultations on an ad hoc basis, on topical issues of common interest including issues linked with the fulfilment of the Treaty on Conventional Armed Forces in Europe.

They confirmed the provisions included in the Proclamation of the member states of the Warsaw Treaty approved at the extraordinary session of the Political Consultative Committee in Budapest, on February 25, 1991.

ANNEX II

P R O T O C O L

on terminating the validity of the Treaty of Friendship, Cooperation and Mutual Assistance, signed in Warsaw on May 14, 1955, and of the Protocol on extending its validity, signed in Warsaw on April 26, 1985.

the States - parties to the Treaty of Friendship, Cooperation and Mutual Assistance, signed in Warsaw on May 14, 1955,

bearing in mind the profound changes currently underway in Europe, which are bringing to an end the era of confrontation and division of the continent,

resolved to actively develop, in the new situation, their relations on a bilateral and, if interested, on a multilateral basis,

recalling the significance of the Joint Declaration of twenty-two states, which signed the Treaty on Conventional Armed Forces in Europe, and which declared that they are no longer enemies, and that they will build new relations of partnership and cooperation,

resolved to promote gradual transition to all-European security structures, in the spirit of the arrangements made at the Paris summit of the Conference on Security and Cooperation in Europe in November, 1990,

have agreed as follows:

Article 1

The Treaty of Friendship, Cooperation and Mutual Assistance, signed in Warsaw on May 14, 1955 (henceforth referred to only as the Warsaw Treaty), and the Protocol extending the validity of the Treaty of Friendship, Cooperation and Mutual Assistance, signed in Warsaw on April 26, 1985, will cease to be valid on the day this Protocol enters into force.

Article 2

The Parties to this Protocol declare they claim no property towards one another, arising from the Warsaw Treaty.

Article 3

1) This protocol is subject to ratification

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2) The original of the Protocol and the ratification instruments will be retained in the archives of the government of the Czech and Slovak Federal Republic. The government of the Czech and Slovak Federal Republic will inform the other Parties to this Protocol on depositing every ratification instrument.

Article 4

The Protocol will enter into force on the day when the last ratification instrument is deposited in the archives.

Done in Prague on July 1, 1991, in one copy in each of the czech, bulgarian, hungarian, polish, romanian and russian languages, with all versions having equal validity. The authorized copies of this Protocol will be given by the government of the Czech and Slovak Federal Republic to all other Parties to this Protocol.

For the Czech and Slovak Federal Republic

Václav Havel
President of the Czech and Slovak
Federal Republic

For the Republic of Bulgaria

Zhelyu Zhelev
President of the Republic of Bulgaria

For the Republic of Hungary

Jozsef Antall
Prime Minister of the Republic of Hungary

For the Republic of Poland

Lech Walesa
President of the Republic of Poland

For Romania

Ion Iliescu
President of Romania

/...

For the Union of Soviet Socialist Republics

G.I. Yanayev
Vice-President of the Union of Soviet
Socialist Republics
